



National Outsourcing Association

Cultural Differences in Outsourcing

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Introduction and Scope

This report outlines the results of research carried out in conjunction with the National Outsourcing Association (NOA) in the UK, during December 2009 and January 2010. It is intended as a practitioner guide, giving an overview of the findings and practical tips for reducing potential issues created due to differences in organisational or national culture during outsourcing contracts.

My thanks to all the participants in the study, many of whom gave some excellent advice, and were very open and honest about issues raised. Also thanks to Royston Morgan of Crosslight Management, for his work on the survey website design and the statistical analysis. Many thanks in particular to the National Outsourcing Association for working with us on this study, particularly Andy Rogers, Director of Research, and the Chair, Martyn Hart.

Executive Summary

This report summarises the results of a major survey carried out by the National Outsourcing Association and Kingston Business School, on the impact of both national and organisational culture on outsourcing contracts. The survey results were supported by a series of interviews exploring the issues in relationship management which are also summarised in this report. Clients, Suppliers and Independent Consultants were included from both public and private sector organisations with over 100 managers taking part in the survey.

The results demonstrate the complexity of evaluating a concept such as culture for all concerned, although a significant number of respondents do try to assess culture when negotiating contracts. In this study clients voted 'service' as the most important element of culture and this was reinforced by the interviews where slow decision making, misunderstandings and aggressive behaviours were cited as evidence of poor service orientation linked to cultural differences.

Culture was assessed in the survey by comparison of self and partner across nine dimensions, including service, attention to detail, innovation and focus on end results. Clients and suppliers tended to rate themselves higher than their partners on most of the elements assessed, in particular innovation. Suppliers rated clients as more aggressive, a statistic supported by the qualitative interview findings where 'bullying' was a clear issue. There were differences in all responses between those who classed their outsourcing as a success and those who did not, but in particular communications and relationships were viewed as more problematic, and they were less likely to report that their partner had prepared staff for cultural differences.

Over 75% of respondents stated that they would take more account of culture next time, rising to over 80% for those involved in offshoring, indicating the importance of national as well as organisational differences. However it is also clear that some differences in culture are beneficial, and that it is critical to assess which cultural elements are important in what circumstances. An important outcome from best practice advice is that organisations need to assess their own culture and requirements as well as

that of their partner, looking for potential matches or clashes. Holding cultural workshops, having metrics for communication and clear service expectations were also high on the list of 'must do' priorities. The overall conclusion is that a crucial aspect of successful outsourcing - service orientation - is impacted by perceptions of staff attitudes and behaviours, and that further work on development of a service quality measurement is needed. This report also includes a range of excellent best practice advice from leading experts and practitioners in the field.

Background to the study

Differences in organisational and national culture can make or break an outsourcing contract. Both vendors and clients in outsourcing relationships have indicated to the National Outsourcing Association (NOA) their desire to better understand relationship management in outsourcing. One of the reasons often given for relationship and performance issues is the difference in organisational culture between client and service vendor staff. Assessment of cultural match is often recommended as part of an outsourcing contract yet there is little advice on how to achieve this (e.g. Corbett, 2004). The people managing the bid from the outsourcing supplier are rarely the ones who will manage the project, meaning that advice to 'analyse the match with people' (see e.g. Bray, 2009) can be problematic.

Organisational culture can be viewed as a pattern of basic assumptions, values, norms and artefacts, which are shared by organisational members and which help them to make sense of events (Schein, 1992). Measuring culture is problematic, and it has been argued that understanding deeper levels of culture takes time (Schein, 1992). An assessment of climate or the more surface levels of culture is however possible with a wide range of survey instruments. Differences in Culture may be important as they can lead to misunderstandings and lack of trust, poor communications and perceived low service levels (e.g. Johnsen et al., 2006).

Although a number of studies on offshoring have indicated national culture as an issue (see e.g. Avison & Banks, 2008; Cobb, 2009), very little attention has been paid to this aspect and in particular how to reduce any issues that may arise.

Furthermore, differences in culture (whether national or organisational) may actually be of benefit, either because of increased diversity or of positive differences that the vendor brings to the party - yet there is little research to support our understanding one way or the other.

The NOA is committed to carrying out research on best practice in outsourcing as part of its membership offer, and therefore agreed to allow Dr. Morgan from Kingston Business School access to the membership and Sourcing Focus readers to invite those involved in outsourcing to take part in an online survey.

Method

A series of eight semi-structured interviews with senior managers from both client and vendor organisations took place during Autumn 2009¹. These gave a depth of understanding to the potential issues involved in cultural differences which aided the development of the survey.

The survey included a range of questions to assess the demographics of participants (for analysis purposes only) and their views on outsourcing, and included:

- » Perceived success of contract, perceived levels of communication, extent cultural problems exist,
- » Rating of culture for own and partner organisation,
- » Which aspects of culture perceived most important.
- » How much training or development specific to culture.
- » Open ended area for advice on best practice.

Organisational culture was assessed through the Robins et al. (2005) Seven dimensions:

- » Attention to detail
- » Outcome Orientation
- » People Orientation
- » Team Orientation
- » Aggressiveness
- » Stability
- » Innovation & Risk Taking

We added two additional dimensions, 'bureaucracy' and 'service orientation', as these concepts were highlighted so frequently during the interviews.

The advantage of this particular measurement tool is that it allows an understanding of behaviours that may directly impact upon perceived competencies, is easy to understand and

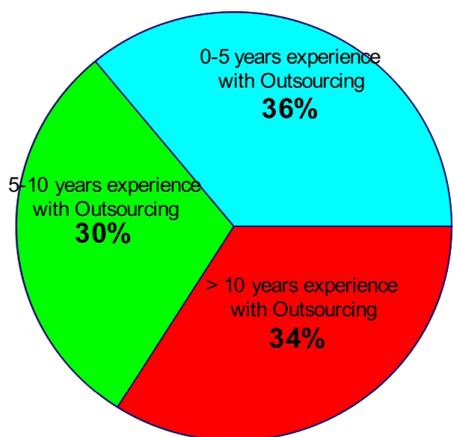
¹Further background to the interviews is included as appendix 1.

also reflects many of the comments made during interviews. Participants were asked to rate from 1-9 their own organisation and that of their 'partner' (vendor or client).

This survey was piloted with a number of NOA committee members and staff at Kingston University, to ensure it was robust and the questions made sense. Minor modifications were made and the survey was then released via email to all NOA members and readers of the Sourcing Focus online website.

The interview data and qualitative data from the survey were analysed for core themes and issues, and the survey numerical data was analysed with both descriptive and interpretive statistical techniques (outlined below).

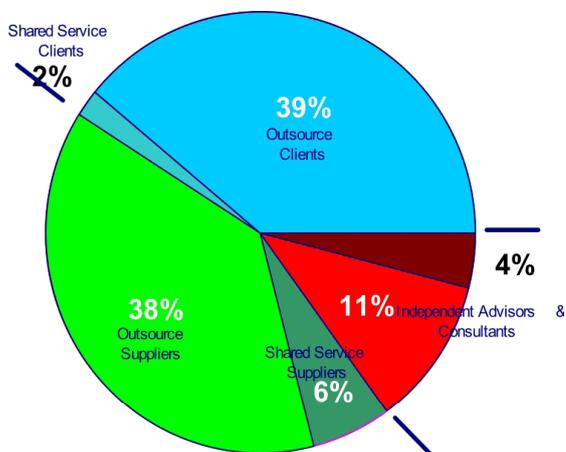
Survey respondents



High level split of experience with Outsourcing of the survey respondents

In total over 100 people took part in the survey although 89 were fully completed and used for analysis. The remainder dropped out part way through completion; this is not unusual in website surveys. 35 respondents classed themselves as an outsourcing client, 34 as a supplier, 10 as outsourcing consultancies and the remainder were involved in shared services. This gave a good mix of supplier and client to enable comparison. Of these, 20 were from the public sector, 65 from the private sector, and the remainder not for profit or 'other'.

The split between purely UK based and offshore forms of outsourcing was 50/39 UK/Offshore. There was also a good mix in terms of the number of years involved in outsourcing contracts, with 36% between 0 and 5 years, 30% between 5 to 10 years, and 33% more than 20 years. The survey was completed anonymously although respondents were asked to give their email address if they wished to receive a copy of the report. These details have been stripped from the analysis and the data maintained in a confidential file.



Participants in the survey

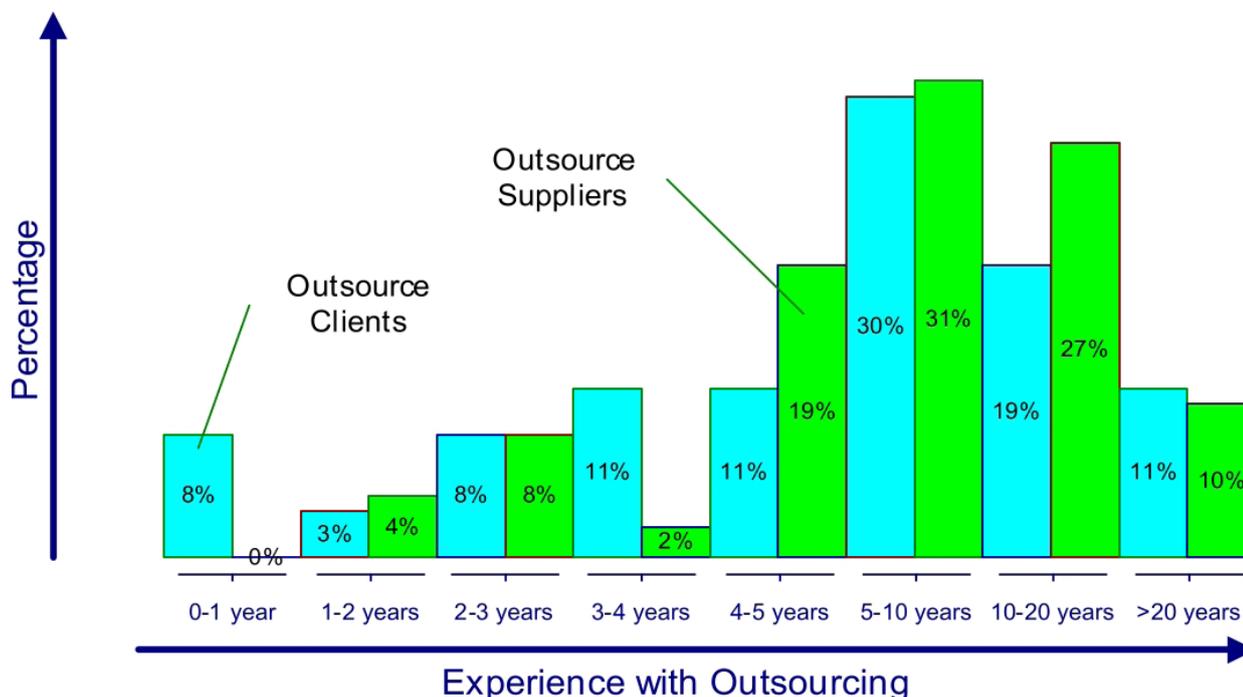


Figure 1: Experience with Outsourcing for clients and suppliers



Survey findings

To enable us to analyse in more depth we asked some contextual questions around the progress of the outsourcing contracts. Because there may be implications for the answers given on responses to questions of culture, we will firstly discuss these and then we will analyse any differences linked to these questions regarding culture. To ease understanding of results we have discussed them under the main question headings:

Do you class your outsourcing as successful?

The results for this question were very encouraging; with 28% suggesting their contract is very successful. Public sector clients rated their outsourcing as more successful than private sector clients. Those in the public sector responded between 'fairly' and 'mostly', whereas private sector clients averaged around a scale lower responding on average to 'fairly' suggesting a difference in perceived success between these sectors. This could be linked to the greater experience in public sector and the interview data suggests that in general they may have more to gain, buying in management expertise and forcing through organisational change through the use of outsourcing.

Not surprisingly outsourcing providers classed their contracts as slightly more successful, but still only responding on average as 'mostly' rather than 'very'. Analysis of the distribution suggests some suppliers were also prepared to acknowledge problems, with one client and one supplier stating 'not at all', and six clients and two suppliers stating 'partially'.

Outsource Clients & Suppliers compared across cultural factors

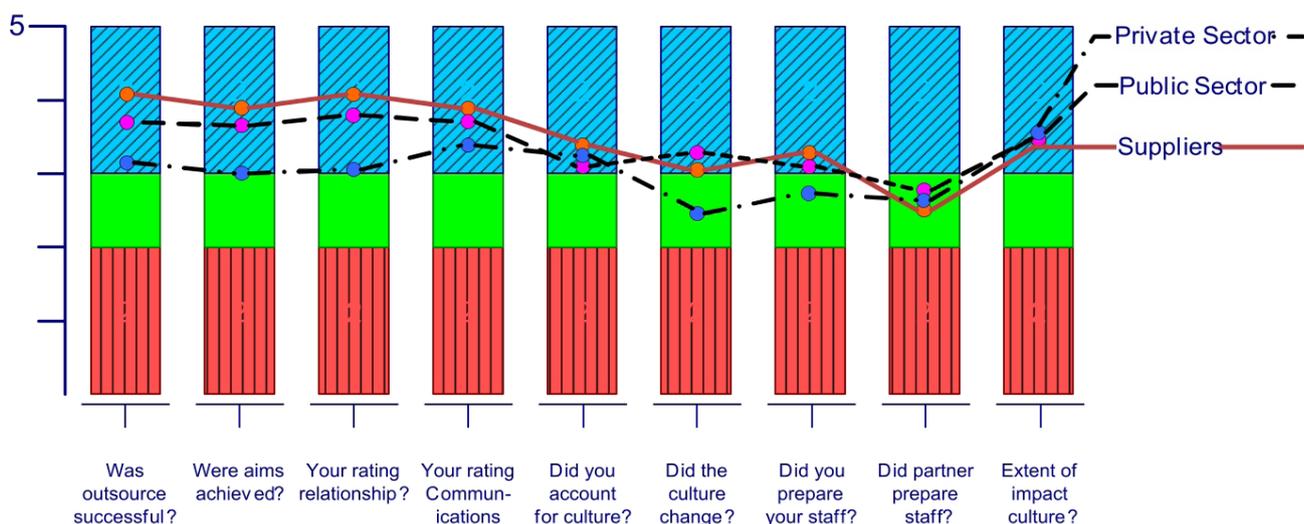


Figure 2: Ratings of experience for clients and suppliers

Survey findings: continued

How well has the contract achieved its original aims?

Again this demonstrated fairly positive outcomes. Although public sector clients tended to suggest their aims were 'mostly' met, on average the private sector suggested only 'fairly'. Overall 20 respondents reported the highest level of achievement 'very' reflecting the success of the outsourcing contracts reported in question 1, however the achievement of aims was not marked quite as highly as 'success' demonstrating that there may be other factors to take into account than just achieving original aims.

Suppliers again were a little higher, with the average response being closer to 'mostly'. Independent consultants had very similar responses to suppliers. It was expected that those interested in making a profit from outsourcing would be more likely to class it as a success, however it is interesting that there was some acceptance that not all contracts are successful even amongst suppliers, with one stating 'not at all' and several others admitting to poor outcomes. This does support the reliability of the survey data.

The data was also analysed to compare those who classed their outsourcing as successful (very or mostly) with those who suggested it was less successful (fairly, partially, or not at all). As expected those reporting that their outsourcing was less successful also reported that it was less likely to have achieved its original aims. The differences in responses to other questions between those reporting success or otherwise are also highlighted below.

How would you rate your relationship with your current supplier/client?

Relationships were also fairly positive. Public sector clients rated their relationships with their suppliers better than private sector. The average rating was close to 'quite good' whereas the private sector clients were much closer to a response of 'average'. Interestingly the suppliers also tended to rate their relationships as 'quite good' on average, although quite a few reported an 'excellent' relationship (9 out of 37 clients and 19 out of 52 suppliers).

Survey findings: continued

As expected, those who rated their outsourcing as less successful were also significantly lower in their rating of their relationship (clients rated 2.75 average compared to 4.24 average for clients viewing their outsourcing as a success). For providers there was less of a difference (3.25 average relationship compared to 4.2 for those who viewed outsourcing as a success). The causal relationship could be either way (failure leads to poor relationships or vice-versa) complexities are further discussed below.

How would you rate your communications with your current supplier/client?

Those who rated their outsourcing as a success were significantly more likely to say communications was good than those who did not (4.24 average communications rating for clients with successful outsourcing versus 2.88 for clients less successful). Again this was slightly less for suppliers with 4.09 for those rating as successful versus 3.00 for those less successful, indicating again that although suppliers are less likely to agree that communications are poor when compared to clients there are perceived problems. Good communications is an important element of successful outsourcing although again it is likely that the causal relationship could be in either direction. Poor communications could lead to a less successful contract, but one would also expect a low performance to lead to weakening communications. Certainly this confirms our view that quality and clarity of communications should be assessed from the start of the contract.

We now turn to questions that are specific to culture, and analyse them across the contextual factors such as client/supplier; success/not.

What extent has culture impacted on the contract?

The majority of respondents suggest culture has impacted either a limited amount or a lot. More public sector than private sector reported they felt culture has affected the contract, which could be linked to the more 'bureaucratic' nature of the public sector.

Suppliers who classed their outsourcing as less successful

Survey findings: continued

were far more likely to blame culture (4.25 or ‘a lot’ versus 3.37 or closer to ‘limited’). There a smaller difference between clients who classed outsourcing as successful and those who did not, suggesting other factors are taken into account by clients.

How much did you take cultural match into account when completing the contract?

The majority had considered culture to some extent when they agreed the contract (50.5% of all respondents stated a lot or key criterion and 78.6 if we include those who agreed ‘to some

Comparing those who rated outsource success low and those rating high

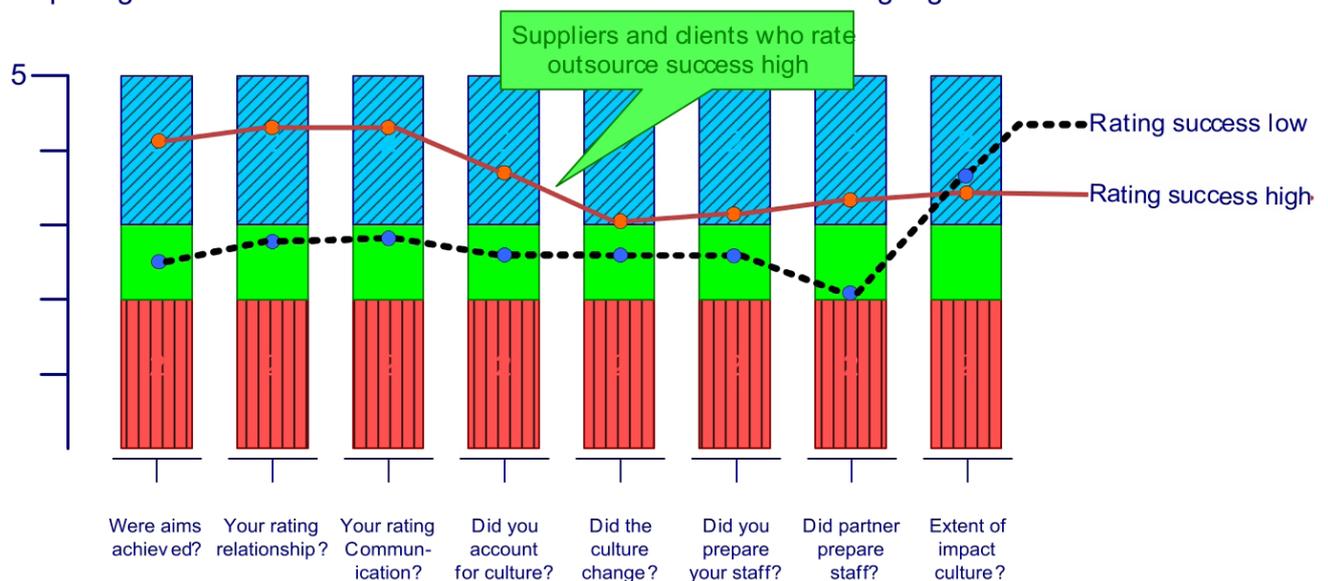


Figure 3: Outsource success and impact on ratings

extent’). Those who classed their outsourcing as successful were far more likely to respond positively here than those who felt their outsourcing was less successful, suppliers even more so than clients (successful clients mean 3.71; less successful mean 2.69 and successful suppliers mean 3.51 with less successful at 2.25).

This does indicate that taking cultural match into account is related to a successful outcome. This is further supported by the qualitative data, for example:

‘Don’t underestimate the importance of a good cultural fit –think about the subtle differences, especially behaviour of front line staff. Collaboration is a key message.’(Client)

‘For an outsourcing supplier it is key to have a deep knowledge

Survey findings: continued

and understanding of customers' social culture of the country they are based in but also the organisational culture. On the other hand customers need to take time to understand and appreciate the supplier.' (Supplier)

How much did the culture of the client and supplier team change as the contract was implemented?

Both suppliers and clients reported that the culture of the team changed as the contract was implemented (average response was 'significantly'). Interestingly, those who reported less successful outsourcing stated that the culture of the team changed less after the deal was signed than those who reported success. This finding suggests either that the change was not noticed because less interest had been taken in culture in the first place, or that a change in team culture after contract could be a good thing. This is another aspect that deserves further research.

Did you train or prepare your staff on cultural aspects?

Clients reported that they trained their staff more on culture than service providers – and vice-versa – but that still means on average 'a little or limited amount' of training takes place.

Those clients reporting lower levels of outsourcing success were less likely to report training in cultural aspects than those who reported success (2.69 compared to 3.19). Suppliers state that they train their staff consistently in both conditions (successful/not) however this still shows only a minority are training their staff more than a limited amount.

Did your partner prepare their staff on cultural and behavioural aspects of working together?

On the whole, respondents reported that their partner prepared their staff only a 'limited' amount (57.3% reported 'limited' or below, with 10% reporting no training). Clients who reported their outsourcing as successful were more likely to report that their supplier trained their staff on cultural aspects of working together (3.33 compared to 2.19). However suppliers rated their clients as about the same, whether they viewed the outsourcing as successful or not (2.57 and 2.50) – which still demonstrated a

Survey findings: continued

view of low levels of training ('a little' scores as 2 and 'limited' as 3.00). This suggests that preparation of staff on cultural aspects is currently insufficient. The qualitative data reinforced the need to prepare staff:

'Identify them (cultural differences) early and take action to educate the work force'. (client)

'Both Parties must continuously stress the importance of the 'customer' and finding solutions to achieve win win. TUPEd staff need to understand that 'work' has to be different to achieve new or different results.' (Supplier)

Would you be more likely to profile cultural fit next time?

Overall, three quarters of them agreed that they would profile culture next time. However, this was higher for those with offshore partners (82% compared to 70% UK only). This demonstrates again that both national and organisational culture should be taken into account. Perhaps not surprisingly, those who rated their contract as less successful were even more likely to say they would take culture into account next time.

Culture scale differences

As expected, there was a tendency to rate the 'other party' as lower in most aspects of culture. However this was more noticeable for clients than suppliers. Even for innovation clients tended to class themselves as more innovative than their suppliers, which was a little surprising given that many outsourcing contracts include an aim to improve innovation. However, suppliers tended to rate their clients as more aggressive, which is supported by the interview data where suppliers discussed the increasing emphasis (to the extent it felt like bullying) from clients on meeting the contract requirements and

Average score over all culture facets

Clients		Suppliers	
Rate self	Rate partner	Rate self	Rate partner
7.17	6.13	7.09	6.57

t = 4.82 <1% at 36 dof

t = 4.24 <1% at 38 dof

Figure 4: Cultural scale differences over all facets²

promises made during negotiations. The other exception was bureaucracy where clients and suppliers seem to agree clients are more bureaucratic.

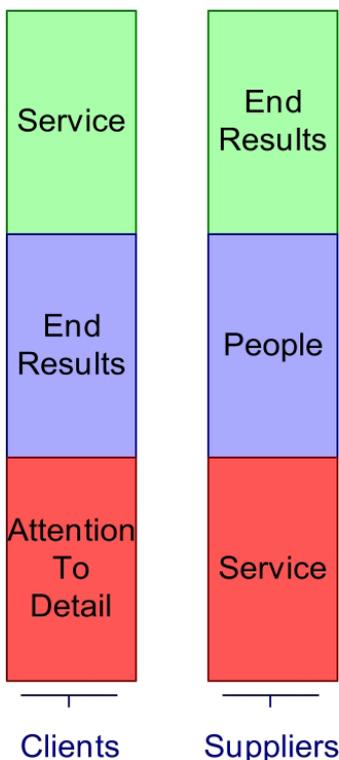
The biggest differences in scores (differences of around two scale points) was with 'People' 'attention to detail' and 'Innovation' for clients (rating themselves much higher than the suppliers) and 'Innovation' and 'Service' for Suppliers (e.g. suppliers rated themselves on average 7.28 for innovation and rated their clients as 5.92). Although one could argue that 'service' is something that the suppliers are supposed to give whereas clients receive service, the fact that clients rated themselves high on service (7.27) indicates they were responding to the concept of their own service orientation.

²Note, t-test was carried out for statistical significance, the differences between scores had less than 1% likelihood of occurring by chance.

Culture scale differences

Important aspects to get right

Top three ranks



The most important elements of culture were different for clients and suppliers. Perhaps not surprisingly clients voted 'service' as their highest priority, closely followed by 'end results' and then third ranked was 'attention to detail'. Fourth ranked was 'people' equally ranked with 'stability'. Suppliers ranked 'end results' as first, 'people' as second and 'service' as third. Their fourth ranked was 'attention to detail' and fifth was 'innovation' with 'team working' close behind. No-one voted for bureaucracy or aggressiveness as important factors to get right, suggesting these are viewed as something to be avoided.

These results suggest that clients tend to believe that the overall service orientation is even more important than the final end results. The interviews support this as there was discussion of poor relationships and rude behaviour even when the results were reasonable. Some suppliers may need to re-consider their focus on end results at all costs and work harder on the 'service orientation' to improve customer relationships.

Average score over all culture facets

Onshore		Offshore	
Rate self	Rate partner	Rate self	Rate partner
7.02	6.51	7.11	6.23

$t = 3.67 < 1\%$ at 49 dof

$t = 4.47 < 1\%$ at 38 dof

70% will profile culture on next deal

82% will profile culture on next deal

Figure 5: Onshore offshore and impact on ratings

Culture scale differences

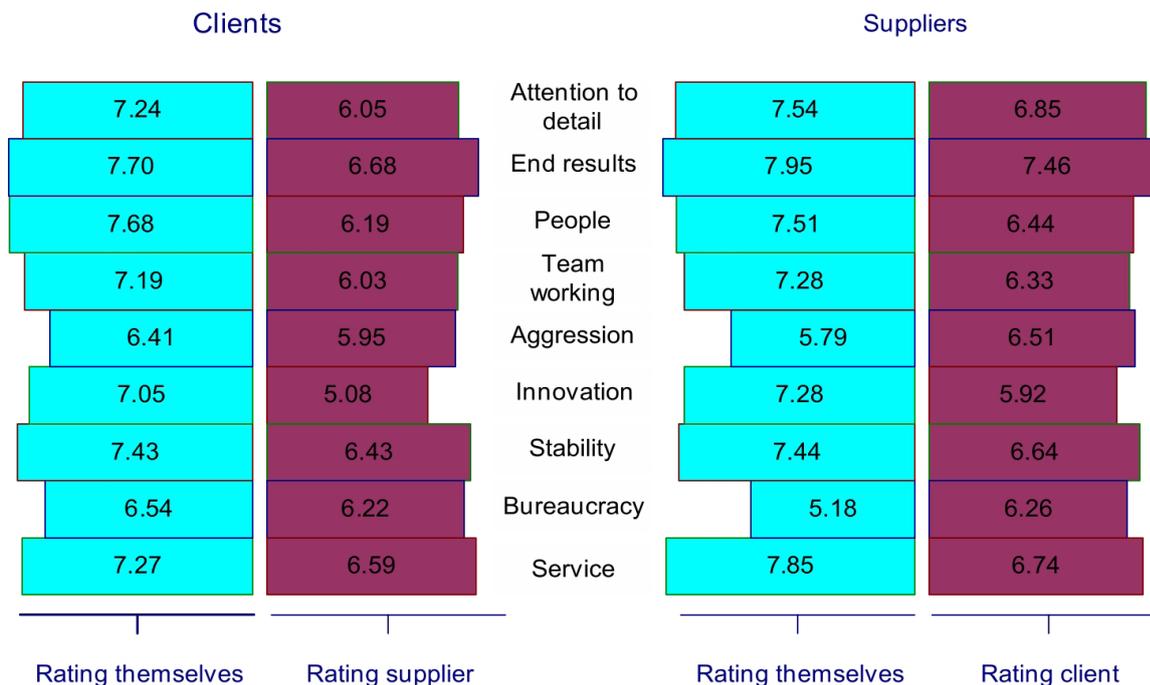


Figure 6: Culture scales overview

The importance of differences

The importance of understanding the differences as highlighted on these scales was emphasised in the qualitative feedback, for example:

‘Be aware of the differences and adapt the way you work to take account of the differences. Ignoring the difference and pretending that they don’t affect your business is a big mistake to make.’ (Client)

And from the interviews:

‘At the end of the day even if performance is good if the relationships are awful it won’t feel successful. Differences in approach such as slow decision making, repeated meetings with no actions, and poor attitudes, will lead to a poor service orientation.’ (Client)

‘We run regular employee engagement and cultural surveys to keep an overview of our staff and how service oriented they are.’ (Supplier)

Qualitative best practice comments

The survey also allowed space at the end for respondents to offer their advice on best practice. Many took this opportunity to reinforce the importance of culture – in particular organisational culture. Indeed we were very impressed with the level of comment we received, as normally with this type of survey few people complete the qualitative section. NOA members are clearly motivated to help each other and share best practice. We analysed this data firstly by splitting client/suppliers/independent advisors and onshore/offshore to assess for similarities and differences.

The importance of culture, and in particular organisational culture, to the success of the contract was highlighted many times, for example :

‘Cultural differences can be the killer of a contract. These are not limited to differences across geographical boundaries, and in my experience are more prevalent and disruptive through organisational culture.’ (Client)

‘Culture is always the ‘elephant in the front room’ its the defining element to success (together with the abilities and motivation of the staff).’ (Independent Advisor)

‘Yes acceptance of this fact that there is a cultural difference both organisationally and geographically is a must. Failure to recognise this fact during the initial period caused several key SLA failures.’ (Supplier)

Understanding and “Fit”

‘It is a key. If a cultural “fit” exists - anything is possible. If not, you will likely have limited success.’ (Supplier)

Note that it is not difference per se that may cause problems, but the importance of ‘fit’ and of understanding each other. All parties emphasised the importance of auditing culture rather than making assumptions about a match.

‘We have developed a cultural checklist when looking at Outsourcing Projects to understand pre and post cultural nuances. My advice is that you develop an approach to understanding cultural differences and ensure it is deployed to all who interface with suppliers’. (Client)

Qualitative best practice comments

Due diligence around culture, as well as managing cultural differences were mentioned a number of times. Organisational culture was considered by most to be a crucial factor, and a number mentioned the importance of measuring your own culture as well as that of the other party, for example.

‘Think about the cultural characteristics of your organisation and research those of the provider. Don’t just take their word or what you perceive to be culture from the few people in their organisation you might meet. Rigorous due diligence is key to success.’ (Client)

Communication

Communication was considered vital and intercultural workshops were suggested as best practice.

‘Communication skills are key, listening to what is actually said and not what you hope was said. Encourage openness - when something bad is communicated work together to solve the problem and the honesty/trust in the relationship will build.’ (Client)

‘Communication and governance that is active at all levels in the two stakeholder communities are fundamental to cultural alignment’. (Supplier)

But some suggested that this communication had to be explicitly built into the contract rather than implicit:

‘Build regular communication through the available channels into the contract’. (Client)

Those involved in offshore contracts did highlight potential implications of differences in language and geography.

‘Huge problems with accents of the language, time difference, work priorities differences etc. etc.’ (Client)

And others emphasised the importance of trying to understand each other better:

‘Understanding the drivers behind a culture and the rate of change from local to global culture, can significantly help gain

Qualitative best practice comments

rapport and understanding. It is absolutely no good hiding behind a contract and shouting at the supplier'. (Client)

'Understand your partner, his business drivers and corporate culture, understand the business culture in which your partner operates (particularly important with global clients and clients in other countries)'. (Supplier)

'Don't under estimate the necessity to manage cultural differences and invest in making this 2 way awareness from the onset – cultures will have a significant impact on how well offshore employees service your end customers. Consider how cultures align & differ and how to approach it.' (Supplier)

Importance of working together

The main difference between clients and suppliers was that suppliers tended to emphasise the importance of both parties more, for example:

'The outsourcer and the retained client organisation should team together to form a cohesive unit in addressing the client's wider organisation.' (Supplier)

Suppliers also mentioned common goals and the need to find shared objectives more often whereas clients commented that the two organisations have divergent objectives but also that there is a need to develop trust and work closely together.

'Definitely take account of cultural differences, but focus on the shared objectives and values you've defined at the outset. These will see you through the good times and the bad!' (Supplier)

'It is difficult where fundamentally the two organisations have diverging objectives and it is a huge step to try to get a provider to make fundamental cultural and structural change with a service provider who wishes to standardise across their own client account'. (client)

A number of clients also emphasised that they must take responsibility for enabling the supplier to succeed:

'It is vital that the host client allows and facilitates the

Qualitative best practice comments

contractor to have unfettered access to the stakeholders and end users. Too many hosts managerially man mark the contractor inhibiting their performance and innovation capability.’ (Client)

Recognising the importance of understanding culture and learning how to work with it was emphasised, and it was also pointed out that cultural differences could sometimes be a good thing:

‘Learn and hone skills to play in different cultures. Arbitrage the differences if strategic. Accentuate the differences if this is an ‘X’ factor. Downplay them if not.’ (Independent Advisor)

Another independent advisor emphasised the ways in which this difference could be useful:

‘Understand and be clear about what matters to each party. Cultural differences may be a positive driver in opting for outsourcing, particularly where the internal organization does not have the service and customer focus desired for excellent service delivery.’ (Independent Advisor)

So service and customer focus may be elements of culture that need to be understood, using clear measurements, yet as many emphasised, it is the people who will make it work:

‘Make sure from the inception the ongoing relationship teams work closely together and try to have low attrition to keep stability and build the relationship. Get operations teams working together on knowledge transfer in both buyer and supplier sites.’ (Client)

These comments also fit with discussions during the interviews, that developing a successful partnership requires hard work on communication and relationship building from both sides. Some clients suggested they felt ‘powerless’ and one highlighted that the suppliers customer training consisted of ‘ten minutes e-learning’ which was considered part of the problem.

Some suppliers felt ‘bullied’ by clients who were becoming more sophisticated in their ability to manage contracts, and although this was supported by one client who suggested suppliers should ‘do as they are told’ others emphasised that it was difficult

Qualitative best practice comments

to manage suppliers well. Despite this clients were never the less very conscious of the key business drivers that create differences:

‘Yes, suppliers are very aggressive to obtain the contract to a degree of playing politics with senior management and use whatever means of achieve their results regardless. The behaviour is probably deeply rooted in a culture of aggressiveness and win-lose situation.’ (Client).

However, both clients and suppliers acknowledged that the need to make profit was in some ways a useful driver:

‘Recognise that profit is a key driver for a private company and that suppliers should realise that there is greater profit to be had in the long term if short term decisions are moulded by a long term view.’ (Supplier)

Handling culture

A number raised the issue of language and national cultural differences (as well as legal variation) when dealing with suppliers from other countries. Three interview participants (from both sides) highlighted the problems when both teams show disdain and even disgust for each other. One client recommended organisations should stop using company names when working together to reduce the emphasis on ‘sides’. Another client indicated that they now incorporate ‘how did we feel about them’ ratings as part of the formal due diligence in an attempt to be more explicit and objective about the impact of culture.

‘Do detailed due diligence, not just at management level but at operational “on the floor” level, especially as regards Risk Management, Business Continuity Management in particular.’ (Client)

Another client emphasised that at least three aspects of culture would need managing:

‘Culture is achieved through three entities: Facilitation (process and technology), Education and aptitude (Robert Dills) Motivation and attitude (e.g. Maslow).’ Therefore a good measure of cultural service orientation should ideally assess all three areas. (Client)

Qualitative best practice comments

The increasing complexities of the outsourcing landscape was also highlighted, the sophisticated levels of management needed to handle multiple cultures have to be taken into account, for example:

‘Suppliers are rarely dominated by a single culture. In our case some services are provided from Germany, some from Mediterranean Europe, some from UK and some from Japan. These are culturally quite different and you should set your expectations and behaviours accordingly.’ (Client)

Finally, the dangers of ignoring culture and hoping that things will work out have been emphasised:

‘Recognise this (culture) as a key factor in successful relationships and manage it with profiling. Work hard to resolve different approaches and gaps as soon as possible, if left unaddressed then material negative impacts will follow.’ (Client)

‘Be specific in what the expectations are on both sides. Ensure that everyone knows exactly what is at stake from the offset and that despite any differences that may exist between the businesses, understand that it takes both parties working together as one.’ (Supplier)

Therefore, cultural understanding is vital to the success of an outsourcing contract and both parties should appreciate that working together will require an investment in time and development of ‘soft’ skills to gain that understanding.

Conclusion - Best Practice Advice

This research has demonstrated that organisational culture should be assessed by both sides when considering an outsourcing contract. However defining and measuring culture can be difficult and organisations need to be aware of their own culture(s) and what may be important to success. The importance of including this as part of the due diligence has been highlighted, along with the need for some form of training or cultural workshops.

- » Use a cultural checklist – don't just take their word for it from the few you meet.
- » Both parties need to take time to understand and appreciate the differences.
- » Hold cultural workshops.
- » Communication and Governance – need to set processes and procedures, with clear metrics – contract management vital.
- » Ban company names and 'us and them' discussions and try to work towards a partnership whilst being aware that there are also divergent objectives.

In terms of what aspects of culture are viewed as important, it is clear that clients require a strong service orientation. Many of the 'poor behaviours' that have been highlighted in the survey and discussed during the interviews could be summed up as 'service' (e.g. slow decision making, aggressiveness, and poor communications). The important cultural differences that can cause problems seem to lie in this area. We propose development of a cultural assessment tool which incorporates some of the aspects of 'SERVQUAL' specific to outsourcing would be useful.

These results and the related best practice advice are based on a relatively small number of interviews and survey responses. It is extremely difficult to persuade people to take part in surveys, but we have been extremely impressed with the advice given by those who have taken part, and the number of responses is high compared to other studies. Our use of a fairly straightforward measure of culture was necessary to encourage people to take part, and has enabled us to gain a better understanding of the issues involved. More complex measures will be required for

Conclusion - Best Practice Advice

individual organisations to understand their own behaviours and the expectations of their partners. We believe a good start would be to assess service orientation.

Further interviews are planned, along with an intervention aimed at assessing the value of cultural training and specific processes being implemented based on the above advice. Any organisations willing to assist with this research are encouraged to contact the author.

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Appendix 1 – Background to Interviews

Eight senior managers responsible for outsourcing took part in the interviews. Five were from clients and three from suppliers, six male and two female. All were from large organisations employing over 5,000 staff. The interview questions were focused on 'best practice' in outsourcing, and participants were allowed to discuss any items they felt important rather than be constrained by a strict interview schedule. Culture was not explicitly raised by the interviewer, but was found to be spontaneously raised by the interviewees.

Themes raised during the interviews included cultural and productivity issues, differences between senior levels/bid teams and the staff working on contracts, communication, the importance of the written contract and what is understood by it, and the problems developing retained staff (and loss of intellectual capital when people move on).

The discussions specific to culture were further analysed to gain an understanding of what people 'meant' by this term. We found the following aspects were raised:

- » Bureaucracy
- » Team-work
- » Decision-making processes
- » People relationships
- » Work ethic
- » Delivery/getting things done (approaches to)
- » Service approach/behavioural problems

Based on these interviews the cultural measure was chosen and a number of items added to the draft survey.



Appendix 2 – Author Profile

Dr. Morgan is a Principal Lecturer and Deputy Head of Department, Leadership, HRM & Organisation at Kingston Business School. She has a background in IT management, including senior roles at Philips and Atos-Origin. She is a Chartered Psychologist (Registered Occupational Psychologist) and has substantial experience in multi-method research.

She has recently published a book on the psychological aspects of outsourcing:

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Appendix 3 – The National Outsourcing Association

The NOA is the UK's only outsourcing trade association and THE centre of excellence in outsourcing

We are an independent body focused on communicating the significant benefits and strategic lessons of outsourcing. We are not-for-profit, run by our members for our members.

Uniquely representing the interests of both outsourcing end users and suppliers, our services are focused on delivering education, excellence and collaboration. We are involved in all areas of outsourcing, including: ITO, BPO and KPO.

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